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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

JUI-YANG HONG, Individually and on Behalf of All Others Similarly Situated, Plaintiff, vs. EXTREME NETWORKS, INC., CHARLES W. BERGER, KENNETH B. AROLA and JOHN T. KURTZWEIL, Defendants.	Case No. CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS DEMAND FOR JURY TRIAL

INTRODUCTION

1. Plaintiff, individually and on behalf of all the other persons similarly situated, by plaintiff's undersigned attorneys, alleges the following based upon personal knowledge as to plaintiff and plaintiff's own acts, and upon information and belief as to all other matters based on the investigation conducted by and through plaintiff's attorneys, which included, among other things, a review of Securities and Exchange Commission ("SEC") filings by Extreme Networks, Inc. ("Extreme Networks" or the "Company"), as well as conference call transcripts and media and analyst reports about the Company. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

SUMMARY OF THE ACTION

2. This is a securities class action on behalf of all persons who purchased or otherwise acquired the common stock of Extreme Networks between November 4, 2013 and April 9, 2015, inclusive (the "Class Period"), against Extreme Networks and certain of its current and former officers and/or directors for violations of the Securities Exchange Act of 1934 ("1934 Act"), including the Company's former Chief Executive Officer ("CEO"), Charles W. Berger ("Berger"), and its current Chief Financial Officer ("CFO"), Kenneth B. Arola ("Arola"). Plaintiff alleges that defendants violated the securities laws by disseminating materially false and misleading statements and concealing material adverse facts regarding Extreme Networks' current financial condition and growth prospects.

BACKGROUND AND OVERVIEW

3. Extreme Networks develops and sells network infrastructure equipment and offers related services contracts for extended warranty and maintenance. For the fiscal year ended June 30,

2014, the Company reported net revenue of $524.8 million, an increase of 75.3% from fiscal year 2013 net revenue of $299.3 million.[1]

4. The Company generates revenue primarily through the efforts of its salesforce or "field sales organization," which both supports its partners and makes direct sales to end-user customers. Defendants describe the Company as "partner-driven," because Extreme Networks primarily sells its Ethernet, wireless and software analytics products through partners who combine its products with their offerings to create "bundled" or "converged" technology solutions for end-user customers, as well as through other distributors and resellers. According to the Company, about 65% to 70% of its business is done through partners and distributors, and about 25% to 30% of its business is direct. On February 5, 2014, and at other points during the Class Period, defendants claimed that going forward the two large partnerships driving revenue would be Ericsson and Lenovo.

5. On September 12, 2013, Extreme Networks announced in a press release that it had reached an agreement to acquire a direct competitor, Enterasys Networks, Inc. ("Enterasys"), roughly doubling the size of the Company. During the conference call held the same day to discuss the acquisition, CEO Berger and CFO John T. Kurtzweil ("Kurtzweil") stated that the acquisition would create significant value for shareholders, that the two companies would be fully integrated within 12 to 24 months, and that there would be no disruption to customers of either company:

> [Kurtzweil:] When we have fully integrated the two Teams, we plan to reduce product costs and operating expenses between $30 million to $40 million. We expect to realize these synergies over a 12 to 24-month period.

* * *

[1] Extreme Networks reports on a fiscal year that runs from July 1 to June 30. As used herein, "FY" means Extreme Networks' fiscal year. Thus, FY15 means Extreme Networks' fiscal year 2015, which ran from July 1, 2014 to June 30, 2015. Specific quarters are designated by the quarter number followed by the letter "Q." Thus, 3Q15 indicates Extreme Networks' third quarter of fiscal year 2015, which ran from January 1, 2015, to March 31, 2015.

> [Berger:] ***There will be no disruption in customers' ability to grow and operate their networks. Period. None.*** . . .
>
> . . . ***[The acquisition] will certainly*** be transformational for our Companies, the industry, and ***create significant value for the Extreme shareholders***.

6. During the Class Period, defendants assured investors that three "big things" were "growth drivers" that would allow the Company to meet or exceed revenue forecasts, even after the Company reported guidance misses in certain quarters during the Class Period. Those drivers were salesforce execution, by which defendants meant successfully integrating Enterasys and, in particular, the two companies' salesforces; a new partnership or alliance with Lenovo, which acquired IBM's X86 server business and purportedly planned to bundle and sell Extreme Networks' server products with its own; and E-Rate, a federal subsidy program that helps K-12 schools acquire network and other information technology. On October 15, 2014, for example, the Company stated in a press release that "'[t]he combination of strong sales leadership, nearly completed [Enterasys] integration and the finalization of the Lenovo acquisition position us well for the remainder of our fiscal year [2015, ended June 30, 2015].'" Defendants also repeatedly predicted that those factors would drive double-digit revenue growth and a 10% operating margin by the second half of 2015. Berger, for example, speaking at the 3Q14 earnings call on May 6, 2014, stated:

> I want to again reemphasize our plan and our commitment to attain double digit revenue growth by the second half of 2015 as we complete the integration, realize the benefits of our key partnerships like Lenovo and Ericsson, and align our efforts between the growth opportunities in the wireless and datacenter segments.
>
> Over the same period we are committed to achieve a 10% operating margin on a non-GAAP basis

7. During the Class Period, defendants issued materially false and misleading statements regarding the Company's quarterly and year-end revenue and earnings outlook for FY15 (which began July 2014), in particular claiming that the Enterasys integration and the Lenovo acquisition of IBM's server business were complete or nearly so and would drive double-digit revenue growth by

FY15. Indeed, as late as October 28, 2014, Berger claimed that salesforce execution and the partnership with Lenovo could each deliver double-digit revenue impact on their own.

8. As a result of these misrepresentations and omissions, Extreme Networks' stock traded at artificially inflated prices during the Class Period, reaching a high of $8.14 per share in intraday trading on January 23, 2014.

9. Defendants' statements during the Class Period alleged herein concerning Extreme Networks' current financial condition and outlook for FY15 were each false and misleading, because defendants knew or deliberately disregarded and failed to disclose the following facts:

(a) the Company's revenue growth depended on successfully integrating Enterasys and especially the Enterasys salesforce, but the Company was not integrating and had not successfully or substantially integrated Enterasys;

(b) failure to integrate the salesforces materially impaired the Company's ability to address persisting problems with "slipping" (*i.e.*, delayed and cancelled) sales, steep discounting, and costs related to inefficiently processed orders; and

(c) Extreme Networks did not have visibility into Lenovo's server business plans, and/or defendants knew that Lenovo was unprepared or unwilling to begin selling Extreme Networks' products during the timeframe or in the amounts necessary to support the Company's quarterly and FY15 financial forecasts.

10. Then on April 9, 2015, after the markets closed, Extreme Networks preannounced that it would miss guidance for 3Q15, reporting revenue of $118-$120 million and earnings per share ("EPS") of ($0.09)-($0.07), significantly below prior guidance of $130-$140 million and ($0.03)-$0.02, respectively. The Company also announced that trading in its shares had been halted and that Jeff White, the Company's Chief Revenue Officer ("CRO"), who had been hired only six months earlier to manage the integration of the Extreme Networks and Enterasys salesforces, was "no longer with the Company."

11. On these disclosures, the Company's stock price fell almost 25%, from $3.24 per share to $2.50 per share, on 10.1 million shares traded (versus 356,300 traded the day before).

12. Less than two weeks later, on April 21, 2015, the Company announced that Berger had resigned, effective April 19, 2015, and would be replaced by Ed Meyercord, Chairman of the Board.

13. On May 6, 2015, the Company announced 3Q15 results and Meyercord hosted his first earnings call as CEO. During the call, Meyercord admitted, among other things, that the integration of Enterasys and its salesforce had not been successful, which was impacting revenue, that problems with sales "slipping" into the next quarter were far more extensive than previously reported, and that Extreme Networks had no visibility into Lenovo and did not know if or when that relationship would contribute to revenue.

JURISDICTION AND VENUE

14. Jurisdiction is conferred by 28 U.S.C. §1331 and §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act [15 U.S.C. §§78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder [17 C.F.R. §240.10b-5].

15. Venue is proper in this district pursuant to 28 U.S.C. §1391(b), because Extreme Networks is headquartered in this district and many of the acts and practices complained of herein occurred in substantial part in this district.

PARTIES

16. Plaintiff Jui-Yang Hong purchased or otherwise acquired Extreme Networks common stock as described in the attached certification and was damaged by the conduct alleged herein.

17. Defendant Extreme Networks is incorporated in Delaware and trades on the NASDAQ under the symbol "EXTR." The Company's corporate headquarters are located at 145 Rio Robles, San Jose, California 95134.

18. Defendant Charles W. Berger is, and was at all relevant times during the Class Period, CEO of the Company. His employment with Extreme Networks was terminated on April 19, 2015.

19. Defendant Kenneth B. Arola is, and has been since June 2, 2014, the CFO, Chief Accounting Officer and Executive Vice President of the Company.

20. Defendant John T. Kurtzweil was CFO and Senior Vice President of the Company from June 29, 2012 to June 1, 2014. From June 2, 2014 to September 30, 2014, Kurtzweil served as "Special Assistant to the CEO." His employment with Extreme Networks ceased on September 30, 2014.

21. The defendants named in ¶¶18-20 are referred to herein as the "Individual Defendants."

CONTROL PERSONS

22. As officers and controlling persons of a publicly held company whose common stock was and is traded on the NASDAQ and is governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to promptly disseminate accurate and truthful information with respect to the Company's financial condition, performance, growth, operations, financial statements, business, markets, management, earnings and present and future business prospects, and to correct any previously issued statements that had become materially misleading or untrue, so that the market price of the Company's common stock would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

23. The Individual Defendants participated in the drafting, preparation, and/or approval of the various public, shareholder and investor reports and other communications complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature. Because of

their Board membership and/or executive and managerial positions with Extreme Networks, each of the Individual Defendants had access to the adverse undisclosed information about the Company's financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the positive representations made by or about Extreme Networks and its business or adopted by the Company materially false and misleading.

24. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. Each Individual Defendant was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the representations contained therein.

25. The Company and the Individual Defendants are liable as participants in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Extreme Networks common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding Extreme Networks' business, operations, management and the intrinsic value of Extreme Networks common stock; and (ii) caused plaintiff and other members of the Class to purchase Extreme Networks common stock at artificially inflated prices.

SUBSTANTIVE ALLEGATIONS

26. On November 4, 2013, Extreme Networks issued a press release announcing 1Q14 financial results and 2Q14 guidance, including 1Q14 revenue of $75.9 million and EPS of $0.06, both at the top end of the Company's previous guidance ranges. The press release also stated that

Extreme Networks had "'already made considerable progress towards integrating the two companies including establishing the executive leadership team,'" and that Chris Crowell, formerly CEO of Enterasys, had been retained as Chief Operating Officer ("COO") and would be directly responsible for "'sales and marketing'" for the combined company.

27. Later the same day the Company hosted an earnings call during which defendants touted the progress they had already made integrating Enterasys and expanding partnerships with companies that would distribute their augmented suite of products, forecasting short timetables to see positive revenue gains from the acquisition and partnership with Lenovo:

> [Berger:] We began to focus on the integration of Extreme and Enterasys right after the announcement. We have made significant progress, including finalizing the top levels of executive management.
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> * * *
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> [Kurtzweil:] When we have fully integrated the two teams, we plan to reduce product costs and operating expenses between $30 million to $40 million. We expect to realize these synergies over a 12- to 24-month period. ***The timing of the synergies will be seen in the financials in a small way in the third fiscal quarter and will hit full stride in 12 to 15 months from now.***
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> * * *
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> [Berger:] So the Lenovo agreement, which we announced last quarter, ***will start to go into full swing actually this month***. Lenovo plans a fairly significant launch of their service business in North America coming into the middle of this month, November, with a major launch in the Asia Pacific region coming in the first calendar quarter. So I suspect we won't see a lot of business from them in the December quarter, but ***we should see a pick up coming into the March quarter***.
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> * * *
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> [Kurtzweil:] We expect to get some synergies, maybe a little bit ***this quarter***. The full – not the full set, but we get ***a lot more synergies*** from Broad Com and Alpha ***in the March quarter***

28. On Monday, November 4, 2013, after the release of the Company's financial results, the filing of its Form 10-Q and its earnings call, Extreme Networks' stock closed at $6.30 per share on 8.9 million shares traded, up from a close of $5.38 per share on 1.9 million shares traded on

Friday, November 1, 2013. The stock thereafter traded at artificially inflated prices, reaching as high as $8.14 per share on January 23, 2014.

29. On November 5, 2013, Wedbush issued an analyst report entitled "Extreme Networks (EXTR): FQ1 and Combined Guide Better Than Expected, Focus Turns to Execution and Driving Partnerships; Maintain OUTPERFORM, PT to $7." The report discussed the Company's post-acquisition strategy, stating: "***[W]ith the acquisition complete, the focus now turns to driving partner revenues and sustaining execution***. . . . [W]e think the company is strategically on the right path." The report concluded: "We maintain our OUTPERFORM rating based on our view that the recently closed acquisition of Enterasys is ***immediately accretive***, offers upside from synergies and the potential contribution from partnerships."

30. On November 6, 2013, Wedbush issued a follow-up report entitled "Extreme Networks (EXTR - OUTPERFORM): Recent Management Meetings Highlight Potential for Greater Margin Enhancement." The report discussed the Company's ability and timeframe to improve margins and grow revenue based on the Enterasys acquisition and Lenovo partnership, reporting: "***Initial synergies*** [from the Enterasys acquisition] ***to begin in December, with potential for better-than-expected GM long term***. . . . New partnership revenue to begin in 2014. Lenovo is expected to formally launch its server products in November in the US and late March in APAC. While it will take time to build, ***expect initial revenues in 1H14***."

31. Throughout FY14 (ended June 30, 2014) and into FY15, the Company reported uneven though generally positive revenue growth and EPS returns. And though those financial results were tempered by underwhelming revenue and EPS guidance, and a series of executive terminations, defendants falsely reassured investors that the Company had already substantially integrated Enterasys and developed the Lenovo partnership, which would begin yielding revenue growth in the short and medium term and drive double-digit growth by FY15. Meanwhile,

defendants blamed any poor results on already resolved integration "disruptions" or other one-time events (*e.g.*, deals slipping from one quarter to the next) that purportedly had not delayed the companies' ultimate integration and would not threaten the Company's long-term revenue growth.

32. On February 5, 2014, Extreme Networks issued a press release announcing 2Q14 financial results and 3Q14 guidance, including 2Q14 revenue of $148.3 million and EPS of $0.14, both within, but on the lower end of, guidance. The press release explained that the results only included two full months of Enterasys ownership and highlighted the progress the Company had made in integrating Enterasys, stating: "'Our integration plans are on track. The senior management team for the combined Company has been established and announced and we continue to make steady progress towards a complete integration.'"

33. Later on February 5, 2014, the Company held a conference call to discuss the 2Q14 financial results. The call was hosted by CEO Berger and CFO Kurtzweil. During the call, defendants stated that the Company was "ahead of the curve" in integrating the sales teams and predicted tangible gains from the integration at specific points in both the short and long term:

> [Berger:] That we were able to forecast our financial performance accurately is one of the many examples of how the integration of the two companies has gone to date. ***Overall we have found few surprises since closing the acquisition*** . . . .
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> * * *
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> [Kurtzweil:] Moving on to a bit more detail regarding the acquisition and expected synergies, ***we see cross selling already beginning***, scale of the Company that will lead to reduced material costs that will show up in the P&L beginning in the fourth fiscal quarter, ***a reduction in operating expenses that will begin to show up in sales in the third fiscal quarter***, marketing in the fourth fiscal quarter, and G&A in FY15. When we have fully integrated the two teams, we target to reduce combined material costs and operating expenses between $30 million to $40 million. ***The timing of synergies will begin to be seen in the financials in a small way this coming quarter and will hit full stride 12 months to 15 months from now.***
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> * * *
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> We are also, now that the peak season finished on shipping, we are starting negotiations on freight, and we [are] also starting some consolidation efforts in terms of our warehousing. So, that all takes a little bit of time. We saw a little bit last, or this quarter in terms of some of the prices that will roll through, but ***the big impact will really start to show up in the June quarter.***

* * *

> [Berger:] We expect to have that integration complete late summer early fall . . . .
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> * * *
>
> So, we are just starting to integrate the sales teams and generate cross selling opportunities across the product line, but I would ***say we are ahead of the curve,*** particularly on wireless right now.

34. Defendants also announced during the February 5, 2014 call that Lenovo's acquisition of IBM's server business increased the value of the Company's already existing partnership with Lenovo:

> [Berger:] On Lenovo, frankly we are extremely excited about the prospects for Lenovo with their recent announcement of the acquisition of IBM's server business. This takes them from a 2% global market share player to a 14% global market share player, and ***we continue to be their only networking partner, and we will be now included in a price list shared by 1200 more sales people they are getting as part of the acquisition***, assuming it stays on track and closes in 6 to 9 months and we just see this as tremendously positive.

35. Though defendants had reported 2Q14 financial results within guidance, they also announced soft 3Q14 guidance, forecasting revenue of $140-$155 million and EPS of $0.01-$0.06, at or below consensus estimates of $154 million and $0.08, respectively. *See, e.g.,* Craig-Hallum Capital Group LLC, "We Would Use Current Share Price Weakness As A Buying Opportunity," February 6, 2014. The soft guidance indicated that defendants' November 4, 2013 statements about making considerable progress on the integration such that results would materialize in 3Q14, the first full quarter of reporting Enterasys revenue (*i.e.*, "synergies will be seen in the financials . . . in the third fiscal quarter"; "we get a lot more synergies . . . in the March quarter"), were false and such results were not materializing. They also revealed that Extreme Networks no longer expected "a pick up [in Lenovo business] coming into the March quarter."

36. Extreme Networks' stock price fell almost 16% on February 5, 2014 after the disclosure of the weak quarterly guidance, closing at $5.92 per share, down from $7.04 per share the day before.

37. On February 6, 2014, Wedbush issued a report entitled "Extreme Networks (EXTR): Reset Offers Opportunity as Focus Turns to Integration; Maintain OUTPERFORM, PT Lowered to $7.50." The report noted that despite delivering 2Q14 financial results that were within guidance, the market had reacted unfavorably to the Company's 3Q14 guidance, which was "lower-than-expected on conservatism, seasonality and ongoing integration activities." Wedbush nevertheless maintained its Outperform rating for Extreme Networks' stock, explaining that the Company offered specific timelines for when Extreme Networks would see the benefits of the integration:

> ***Company outlines timeline and reiterates targeted synergies of $30-40mn, continue to expect measured ramp with meaningful impact and LT leverage*** in the model. Management noted that cross selling opportunities have begun, specifically in WLAN, and reaffirmed its targeted synergies of $30-40mn.

38. On May 6, 2014, after trading hours, Extreme Networks announced 3Q14 financial results and issued 4Q14 financial guidance. The Company announced 3Q14 revenue of $143.7 million, at the low end of guidance of $140-$155 million, and EPS of $0.02, at the low end of guidance of $0.01-0$0.06. This was the first quarter that Extreme Networks reported full quarterly results that included the Enterasys acquisition.

39. Extreme Networks also announced significant executive turnover in the May 6, 2014 press release, despite having touted its management team as a major strength only the quarter before. The press release announced the unexplained departure of COO Crowell, the transition (as of June 2, 2014) of Kurtzweil to "special assistant to the CEO," before his departure at the end of September 2014, and the hiring of Arola as CFO. Berger also disclosed in a conference call the same day that, notwithstanding prior assurances, there had been problems with the integration and that, as a result, he would be taking a more direct role in the integration efforts:

> As we move on to the next phase of the integration I feel that it is critical that I stay close to our ***field organizations*** [i.e. the salesforce] ***particularly in North America where we have experienced some integration issues***. The field organizations and corporate marketing will report directly to me effective today.

40. Despite the poor financial news and announced executive turnover, defendants continued to assure investors on May 6, 2014 that the Enterasys integration and Lenovo partnership were developing successfully and would deliver the positive revenue impacts necessary to mitigate the poor quarterly results the Company had reported in February and May. The press release, for example, quoted Berger as stating: "'The integration efforts following the acquisition of Enterasys ***continue ahead of plan.***'" And during the earnings call, Berger said that "***[o]verall, the integration of the two companies is going well and is on track or ahead of our expectations***," and that "we expect the relationship with Lenovo in particular as I have said for the last several calls, to have meaningful revenue impact in the second half of fiscal 2015. We will be certainly through the integration of the salesforces and the channel by that time."

41. During the same earnings call, Berger stated that defendants expected the Enterasys integration and Lenovo partnership to drive double-digit revenue growth:

> ***I want to again reemphasize our plan and our commitment to attain double digit revenue growth by the second half of 2015 as we complete the integration [and] realize the benefits of our key partnerships like Lenovo and Ericsson*** . . . .
>
> ***Over the same period we are committed to achieve a 10% operating margin*** on a non-GAAP basis. My belief in our ability to achieve these goals has only strengthened since our last earnings call.

42. On May 7, 2014, Extreme Networks' stock price fell from the previous day's close of $5.33 per share on 3.69 million shares traded to a close of $3.95 per share on 9.35 million shares traded.

43. On July 2, 2014, Wunderlich Securities issued an analyst report entitled "Extreme Networks, Inc. (EXTR: $4.45): It's Getting Fixed – Buy SDN Strategy Beginning to Emerge with R&D Synergies." Wunderlich reported that after dealing with the integration challenges that had required Berger to take direct oversight of the salesforce integration (as announced during the May 6, 2014 earnings call), the Company's management appeared to be executing its strategy:

After 6+ months of discovering integration challenges and disappointment, we believe Extreme (EXTR) is beginning to execute. Product lines that are making the cut are clear (Enterasys Wi-Fi, network management and analytics and, with some exceptions in the medium term, the Extreme network operating system and switching line) and we are also beginning to get a glimpse of R&D synergies with initial indications of software-defined networking (SDN) strategy. We believe the sales force disruption that was the primary factor in disappointing results is on the mend and the blocking and tackling of consolidating supply chain, fulfillment, and IT is on or ahead of schedule. We continue to rate shares Buy with a $9 12-month price target.

* * *

- **Discovery phase complete, now things are getting fixed.** We expect improving outlook for sales force productivity. Our understanding is that since the CEO took over sales force management in early May, conflicts that handicapped the Extreme side of the U.S. sales force and distribution network have been identified, have progressed toward resolution, and that cross-selling product lines of the constituent operations has begun to occur.

- **Logistics, supply chain, and G&A integration on track or ahead of plan.** We expect enterprise software integration early this quarter, several months ahead of the original plan. We understand cost reductions associated with aggregating volumes for Extreme and Enterasys legacies are now coming to fruition. Also, logistics centers are being consolidated this quarter to reduce shipping costs.

* * *

- **One or two more quarters of tough pro-forma comparisons, but expect improving quality of guidance.** With conflicts being resolved and functional integration underway, we expect stability and improved forecasting ability.

44. On July 21, 2014, the Company issued a press release announcing an increase in guidance for 4Q14 ahead of the official announcement of the Company's financial results scheduled for August 14, 2014. The press release, which addressed 4Q14 results but not FY14 results, announced revenue of $154-$156 million, above prior guidance of $145-$150 million, and EPS of $0.06-$0.08, above prior guidance of $0.02-$0.04. Wall Street consensus had anticipated $146.7 million in revenue and EPS of $0.03. The press release quoted Berger as stating: "'Our integration remains ahead of plan as we continue to execute against key Company operational and financial milestones, ***including successfully completing our ERP integration in early July, two months ahead of schedule*** . . . .'"

45. On Monday, July 21, 2014, after the press release was issued, Extreme Networks' stock closed at $5.06 per share on 9.88 million shares traded, up from a close of $4.37 per share on over 980,000 shares traded on Friday, July 18, 2014.

46. On July 22, 2014, Wunderlich Securities issued an analyst report entitled "Extreme Networks, Inc. (EXTR: $5.06): Forecast Adjustment for Positive Update Increasing F4Q14E; Rating and Target Unchanged." The report indicated that the Company's earnings beat guidance and its positive statements concerning the Enterasys integration helped to reassure investors. The report also confirmed that the departures of Crowell and Kurtzweil were involuntary and related to mismanagement of the Enterasys integration efforts:

> The worry about the June quarter was dysfunction within the North American sales force, which cost some management jobs; repair is now confirmed to be well underway with better than previously expected volume. With expectations for the company to field full strength for more than a few weeks in the current quarter, we expect guidance to support our unchanged F1Q15 forecast.

47. On August 14, 2014, Extreme Networks announced its 4Q14 financial results and 1Q15 and FY15 guidance. For 4Q14, Extreme Networks announced revenue of $156.87 million and EPS of $0.09, which beat the upper range of the revenue and EPS guidance (which was increased less than a month before) by nearly $1 million and $0.01, respectively. The Company also forecast $150-$155 million in revenue and EPS of $0.06-$0.08 for 1Q15. The press release quoted Berger as stating: "'***Our sales force integration is complete, with all territories rationalized, and the team is aligned and executing, which is evident in this quarter's results***.'"

48. On August 14, 2014, the Company hosted an earnings call during which defendants explained that with the integration complete, or nearly so, defendants would be able to turn their attention from the organizational problem of integrating the companies, to execution, and in particular to increasing renewal and attach rates in selling their products, thereby increasing revenue:

> [Berger:] Additionally, two weeks ago, we held our global sales conference, bringing the entire sales team together for the first time ever. The incredible spirit

and unity I saw over the entire event are added signs that ***the integration issues are behind us***.

* * *

Overall, ***we are exactly where we planned to be in [the] integration process and the realization of the related financial synergies***.

* * *

We've also trained all Lenovo North American reps on Extreme products. We continue to believe that Lenovo will begin to generate significant revenues for us starting in our fourth quarter of 2015 and beyond.

In closing, Extreme had a solid fourth quarter to finish a transformative year. We completed major elements of the integration of Enterasys and are on track to realize the synergies we have committed to. I would like to reiterate our prior guidance that ***we expect to attain year-over-year double-digit revenue growth in the fourth fiscal quarter, driven by our expected ramp of the Lenovo business*** and the return of E-Rate funding.

* * *

[Arola:] ***[T]he two companies are now fully integrated*** . . . .

* * *

[W]ith integrated product portfolio, consolidated supply chain operations, and fully integrated sales and marketing teams, we expect to begin seeing operational efficiencies as we move through the fiscal year.

* * *

[Berger:] ***[C]ompl[eting] the integration, which is largely behind us***; and then turning those resources and that level of attention towards increasing the attach and renewal rate.

49. Analysts and investors were convinced that Extreme Networks had put the problems with the acquisition and integration of Enterasys behind it. Martin Vlcek, an analyst writing at the stock analysis site *SeekingAlpha.com*, for example, wrote in an August 15, 2014 report analyzing Extreme Networks' 4Q14 financial results:

The North American integration issues seem to be over now.

* * *

The Enterasys integration has "significantly exceeded expectations". It is ahead of track in some areas, such as the ERP IT systems integration. The integration challenges experienced earlier in the North American sales and partner organization seem to be successfully resolved now thanks to special attention and focus of the company's CEO on this area. . . .

> Overall, EXTR had a very strong quarter and finished a fiscal year of transformation. Synergies from Enterasys acquisition should start flowing in.

50. On August 15, 2014, Wunderlich Securities issued an analyst report entitled "Good Progress in F4Q14, On Track To Make Goals." In the report, Wunderlich explained that cautious 1Q15 guidance had overshadowed to some degree the positive 4Q14 financial results, and that integration challenges in North America had affected the Company's financial performance. Wunderlich nevertheless reported that the Company was on track to make its FY15 goals, inducing double-digit revenue growth and 10% or better operating margins:

> Management appears on track to achieve targets, including 10% + non-GAAP operating margin in F4Q15.
>
> * * *
>
> - **Better-than-expected F4Q14**. Non-GAAP EPS of $0.09 vs. $0.07 on revenue of $156.9 million (-7.2% yr./yr. - pro-forma for the Nov. acquisition of Enterasys) were above the high end of guidance given the positive update on July 21 (Fig. 1). EMEA performed especially well, with absence of sales force integration challenges that afflicted Americas.
>
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>
> - . . . F1Q15 guidance is for non-GAAP EPS of $0.06-$0.08 on revenue of $150-$155 million.
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> * * *
>
> The most controversial aspect of guidance is gross margin of 55.0%, which is down 140bps sequentially. However, 50bps of this is from a one-time accounting effect that added $0.01 per share to F4Q14; this was related to integration of Enterasys on the company's ERP system, which was achieved ahead of plan. The rest is management caution in expectation of more aggressive pricing, especially from Cisco (CSCO - $24.54, Hold).

51. On August 15, 2014, after the release of the Company's financial results, the filing of the Company's Form 10-Q and its earnings call, Extreme Networks' stock closed at $4.95 per share, down from a close of $5.35 per share on August 14, 2014.

52. On October 1, 2014, the Company announced in a press release that Jeff White had been appointed CRO of Extreme Networks and would be "responsible for overseeing Extreme's

global sales and marketing organizations." "Sales and marketing" was the same set of duties previously assigned to COO (and former Enterasys CEO) Chris Crowell.

53. Analysts recognized that White, who had previously worked at Cisco Systems, Inc., had been hired to address problems that had arisen with the integration of the Enterasys and Extreme Networks salesforces. The Buckingham Research Group, for example, in an October 1, 2014 report entitled "Sales Vacancy Filled by Industry Veteran," noted that White filled a key void created when Chris Crowell was terminated as COO, stating that "[g]iven the sales transition issues the company has faced in recent quarters, we think the appointment is a positive."

54. On October 15, 2014, Extreme Networks preannounced its financial results for 1Q15 (ended September 30, 2014) and guidance for 2Q15. The Company reported revenue of $135-$136.5 million and EPS of ($0.02) to $0.00, significantly below the Company's prior guidance of $150-$155 million and $0.06-$0.08 and Wall Street consensus of $152.3 million and $0.07.

55. Though acknowledging certain headwinds that hurt financial results in 1Q15, Berger, as quoted in the press release, falsely stated that a number of one-time events had already occurred or substantially occurred that would allow Extreme Networks to overcome such headwinds and grow revenues and meet guidance in FY15. These one-time events included making "dramatic progress" integrating Enterasys, including developing a unified service for the now combined Extreme Networks and Enterasys sales departments, hiring Jeff White as CRO and making him responsible for the salesforce integration, and Lenovo closing its acquisition of IBM's server business:

> "[W]***e made dramatic progress towards finalizing the integration of the acquisition of Enterasys*** during the quarter, successfully converging on a single ERP system, closing the Illinois distribution center, converting our direct distribution model in Brazil, and executing a unified partner program and service offering. We are ***on track*** to realize ***the full $30-$40 million in cost synergies expected from the acquisition*** and were able to maintain strong gross margins in the first quarter, despite the top line miss. On October 1, we announced that ***Jeff White joined Extreme as chief revenue officer***. Jeff brings with him 20 years of experience in the networking market, most recently at Cisco. Lenovo also closed the acquisition of the IBM X86 server business. ***The combination of strong sales leadership, nearly***

> ***completed integration and the finalization of the Lenovo acquisition position us well for the remainder of our fiscal year.***"

56. On October 16, 2014, after the preannouncement of the Company's 1Q15 earnings, its stock price fell from $3.76 per share on 2.11 million shares traded on October 15, 2014 to a close of $3.06 per share on 8.46 million shares traded.

57. On October 28, 2014, Extreme Networks issued a press release announcing its official 1Q15 financial results and 2Q15 guidance. For 1Q15, Extreme Networks announced revenue of $137.1 million, a revenue miss of $15.4 million (though slightly above the Company's preliminary results, announced October 15, 2014, of $135-$136.5 million), and EPS of ($0.01), below prior guidance of $0.06-$0.08, but in line with the preliminary results announced October 15, 2014. The Company also forecast $140-$150 million in revenue and EPS of $0.03-$0.07 for 2Q15.

58. The same press release quoted Berger as blaming the poor financial results on one-time costs from the Enterasys integration. Berger further stated that, despite the financial guidance miss, the Company remained on track to realize the benefits of the acquisition:

> "During the quarter, we made significant progress towards finalizing the integration of the acquisition of Enterasys: successfully converging on a single ERP system, closing the Illinois distribution center, selectively reducing the number of distributors globally, converting our direct distribution model in Brazil to a leveraged two tier model, and executing a unified partner program and service offering . . . . ***Although these changes were well executed, they also had an impact on our revenues during the quarter as our partners and sales people had to learn a new way to do business with us***. We are on track to realize the full $30 to $40 million in cost synergies expected from the acquisition and were able to maintain strong gross margins in the first quarter, despite the top line miss."

59. On October 28, 2014, Extreme Networks held a conference call to discuss the Company's 1Q15 earnings and 2Q15 guidance. During the call, defendants attributed low product revenues and poor top-line growth to "significant" "disruptions" caused by the acquisition and integration of Enterasys – including disruptions to relationships with customers, which, as early as the September 12, 2013 call announcing the acquisition, defendants had assured investors would not happen. Defendants now admitted that these disruptions required the Company to take a number of

steps to address the resulting sales and revenue weaknesses, including hiring Jeff White as CRO to reorganize the salesforces and oversee sales efforts. The Company falsely stated that these efforts had already been successful, assuring investors that "[f]or the most part, these disruptions are now fully behind us." Defendants also falsely described the status of their partnership with Lenovo and Lenovo's readiness to begin selling Extreme Networks' products, and assured investors that the Company would lower its costs by shipping via sea and not air, and that even though sales had been pushed out or delayed they "remain in the pipeline":

> [Berger:] While we faced a number of challenges in our first fiscal quarter, we also took a number of actions that positioned us well for the remainder of the fiscal year and beyond. ***We completed the bulk of the IT operational and program integrations related to the acquisition of Enterasys***. We also completed the executive staff transition with the addition of Jeff White as Chief Revenue Officer. And our reseller partner Lenovo completed the acquisition of the IBM X86 server business.
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> * * *
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> [W]e launched new service programs across all of our products. ***The new programs eliminate terms that were unfavorable to Extreme***, and are structured to encourage our partners worldwide to focus on increasing service attach and renewal rates. On the IT side, ***we completed the integration of SAP, the legacy Enterasys ERP into a single instance of Oracle early in the quarter as planned, and two months ahead of the original schedule***. This now provides a single interface to our channel, our vendors, our auditors and finance staff, and our employees.
>
> Earlier in the calendar year ***we completed the integration of our sales and marketing automation systems***, providing critical functionality that was nonexistent at Extreme when I joined. . . . On the operations side, we closed our Elgin, Illinois Distribution Center saving the cost of operating the facility. Our remaining three Distribution Centers are all located at major sea ports, ***allowing us to continue to reduce the amount of product we ship via air***, which is nearly seven times more expensive than oversea transportation. . . .
>
> Finally, the benefit of reduced component and assembly costs began to have impact in the first quarter, ***and will continue going forward***. While I am very pleased with the execution and timeliness of all of these changes, it is safe to say that virtually every part of our business, and the interface between our partners, customers and Extreme were disrupted in a significant way during the quarter, and contributed to the disappointment on the top line. ***For the most part, these disruptions are now fully behind us***. . . .
>
> . . . I cannot tell you enough how excited I am that Jeff White has joined Extreme Networks. Jeff was at Cisco for 17 years where he was clearly a fast rising star. He is a true sales leader and has already will [sic] a strong impact in his first few weeks. Jeff fills a gap that has existed for a very long time here at Extreme, and completes the transition of the exec staff I began over one year ago. I expect you'll see results from Jeff in this quarter and growing from there. Jeff will not only focus

on top line growth, but on reducing our cost of sales by better sales execution, and gaining far better leverage from our distributors and partners.

As I mentioned, our partnership with Lenovo took another step forward when they completed the acquisition of the IBM X86 server business on October 1. There is no longer any doubt that this will happen. We continue to make progress each day towards realizing the potential of this agreement, and reiterate that we expect significant results by the fourth quarter.

* * *

[Arola:] ***Although many deals were pushed out of the quarter, they remain in the pipeline, and we are confident in our ability to compete for these deals that were delayed from Q1.***

* * *

[Analyst:] As it relates to your 10%, keeping the 10% operating margin target for June of next year, which would require some additional growth from the level that we're guiding for in December, when we get to that range, in June, your conviction in the June quarter number, is that more driven by E-Rate and success there, or Lenovo?

[Berger:] Yes, frankly Christian, I think you can take ***any one of three or four things and say by themselves they could come close to making that growth happen. Certainly strengthening substantially our sales leadership, and again Jeff has hit the ground running . . . . And then Lenovo has certainly by then we believe will have double-digit revenue impact*** . . . . All of those factors together make us all feel pretty comfortable with that number. And again a ***couple of them I think alone could make it happen.***

* * *

[W]e've had extensive meetings between the CTO at Lenovo and our CTO, as we've looked forward to finding ways to create differentiation in the market, rather than just preplugged and played converged solutions.

* * *

Yes a number of things and ***we have been working at this for well over a year now, we think that we are well-positioned as this integration evolves***, you wouldn't think that some of these things would be hard, but Lenovo is a very big company, and getting all of our products, or at least our data center products on their price list, and getting part numbers and getting the ability for Lenovo sales reps to order them through the Lenovo order entry and delivery process ***has largely been completed globally***. Getting internal sales reps that are Extreme employees sitting side-by-side with people in North America and China ***has been accomplished.*** Attendance and training at global sales conferences for Lenovo ***has happened***. So there are a number of things that we've done, in addition as I mentioned there's been technology exchange discussions, and we've certainly worked to the extent we're able to a parallel path [sic] with some of the IBM assets as well. So everything, ***we didn't wait for the October 1 start gun to go and begin the race***. This is really a race that we put a couple laps on the track over the last 14 or 15 months, but again . . . I think there's a lap or two to go before we see meaningful volume.

60. Berger misleadingly stated during the same October 28, 2014 call that the above factors, including sales leadership, the nearly complete integration of Enterasys, the reduction in costs and the fully developed partnership with Lenovo, would mean that Extreme Networks was still on track to meet its guidance for 10% growth in FY15 despite a weak 1Q15:

> ***Strong sales leadership***, new partner and service programs, ***advancing Lenovo relationships***, return of E-Rate, and continued new product introductions, give us confidence in our ability to improve our top line performance going forward. ***Coupled with strong focus on realizing the promised synergies from the acquisition, and ongoing focus on cost reductions across the board***, we expect to see substantially improved bottom line performance as well. ***We stand by our commitment for 10% year-over-year revenue growth by the fourth fiscal quarter, at a 10% operating margin or better.***

61. After the October 28, 2014 earnings call, the Company's stock leapt 15% to an opening price of $3.79 per share on October 29, 2014, and continued to trade at artificially inflated prices through the rest of the Class Period.

62. On Sunday, December 17, 2014, Arola (appearing with Chief Technology Officer Eric Broockman) spoke at the Bernstein Technology Innovation Summit. During his appearance, Arola falsely stated that the integration of Enterasys, and especially its salesforce, was complete, and that the Company had already moved to sea rather than air shipments, promising to keep costs low by continuing to do so:

> So we've – in the past year, ***we pretty much completed the integration of the two companies***. We converted over our ERP system to one ERP system, Oracle. Enterasys is on a different system.
>
> ***From a sales perspective . . . sales organizations have been integrated***. . . .
>
> . . . We've had a little bit of struggles last quarter with deals slipping out both in North America and in Latin America, but ***we expect that [we] will still at some point [in] time close these deals. We haven't lost the deals.*** We have actually just seen them slip out with decision-making.
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> * * *
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> ***As far as the integration of the various teams, R&D has been fully integrated for a while***. We have a common roadmap that we have internally. We'll be looking out [sic] converging product lines. ***We said two years from the date of acquisition. We are on track with that***.

> ***As far as sales organization, again, two teams have been integrated.*** That was probably more of the difficult things to integrate for us, ***but it's been done now.*** And for the last several months, we are without a leader of sales for about four or five months there. But now with, again, Jeff White coming on board at the beginning of October, that's moving ahead nicely. ***So integration of sales is completed.***
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> * * *
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> And we've moved to shipping – during the fiscal year, ***we moved to shipping on sea versus shipping in air. So we've seen some savings in freight as we move to the second half of the year, and we'll continue to see that as we go forward.***

63. On January 28, 2015, Extreme Networks issued a press release announcing its official 2Q15 financial results and 3Q15 guidance. For 2Q15, Extreme Networks announced non-GAAP revenue of $148 million, at the top end of previous guidance, and EPS of $0.05, in line with previous guidance. The Company also forecast $130-$140 million in non-GAAP revenue and EPS of ($0.03)-$0.02 for 3Q15.

64. On January 28, 2015, defendants held a conference call to discuss the Company's 2Q15 financial results. During the call, defendants were forced to back off from the 10% growth they had forecast, conceding that the integration of Enterasys had not been completed, as they had previously assured investors, and blaming the delayed acquisition by Lenovo of IBM's server business, despite the fact that the acquisition had been completed October 1, 2014 as anticipated and as reported, and discounting in Latin America, which they had previously claimed was one-off and would not continue in the next quarter. Defendants nevertheless continued to falsely reassure investors that three "big things," including Jeff White's salesforce improvement and the relationship with Lenovo, meant that the Company remained on track to deliver its fiscal year guidance:

> [Berger:] Good afternoon, and thank you all for joining us for our fiscal Q2 earnings announcement. We made solid progress during the quarter, reporting non-GAAP revenues of $148 million, at the high end of our guidance of $140 million to $150 million, and above consensus. Non-GAAP EPS was $0.05, within the $0.03 to $0.07 guidance we provided, and above consensus of $0.04. Non-GAAP revenues grew 8% over the prior, or first quarter.
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> * * *

We strongly believe ***these forces will begin to come to have an impact throughout the rest of the year and beyond.*** However, it is now clear that it will take longer for them to have enough impact to deliver 10% year-over-year growth.

* * *

Finally, while we are making daily substantial progress on the complete integration and upgrading of our salesforce, ***it is clear that we still have considerable work to do going forward.***

We will give specific guidance for the fourth quarter during our third-quarter earnings announcement; but, at this point, ***we still expect seasonally consecutive revenue growth and improving profitability. We expect to reach the metrics previously committed to in 2 to 4 quarters beyond the fourth quarter of 2015.***

* * *

[Analyst:] And then on Lenovo, maybe you could go a little deeper into there. I know we were expecting that to show some progress by the June quarter. It sounds like that's been pushed out a little bit. Are there issues inside Lenovo and the integration with IBM? What are your expectations for when that really gets noticeable on the revenue line?

[Berger:] Well, as I mentioned, Mark, ***we continue to make progress*** almost on a daily basis with Lenovo, across the board. The high-performance computing, we actually – that was mostly won before even the acquisition closed, competing against the captive networking business inside of – which is now inside of Lenovo. ***So we're seeing solid progress there. Now, all of our products are on their price list, including wireless.***

* * *

[Analyst:] Can you tell me what in either the December 2015 quarter or the June 2016 quarter is going to deliver that growth? … Is it of function of Lenovo revenues increasing? … How do I build up to a 10% growth rate, given all of the variables that are under pressure in your business? …

[Berger:] Last comment, correct. That is a market that, as you know, is at best 1% or 2% growth, and more likely not that good. ***I think the metrics you need to watch are really two things – three things: our overall salesforce effectiveness as Jeff White and his much-strengthened team, after this past quarter, get traction, and putting in place far better sales process and pipeline management and talent capabilities than we've had in the past, and training and things like that. Secondly, the continued evolution of the Lenovo relationship.*** And thirdly, we expect impact throughout the year of the $2 billion of funds committed to E-Rate; frankly, far more than in the past.

* * *

[T]he three big things are salesforce execution, Lenovo, and E-Rate.

* * *

[Analyst:] All right. I think I did the math myself anyway. So this is a little bit tougher question, okay? What is our ultimate OpEx goal? The reason why I say that

is, before you bought Enterasys you were doing $299 million, and making $0.18 of your own. And now we've put the two companies together, and revenues have gone down, and we're going to make less than that, this year. So obviously this has not gone well at all.

And so you guys were running at about a $73 million OpEx, give or take. Enterasys was running a little heavier. At one point – and I know, Chuck, you were put in a position to fail, or a position of extreme difficulty in this acquisition, since you were told shortly after you joined the Company that you had bought it without having your own team together to take a look at what you had, let alone figure out what you had at Extreme.

But now that you've been there a while, and ***we've upgraded the salesforce***, at what point in the future should we anticipate OpEx in line with realistic quarterly revenue expectations?

[Berger:] That's a broad question, so let me cover it, and get to the answer regarding OpEx. First of all, ***I absolutely do not believe the acquisition and subsequent integration of Enterasys has, to use your words, failed miserably***. We've put two very different companies together, although they look a lot alike from the outside. Last year, we managed to finish the year with just over 2% revenue erosion, and ***we're right on track with where we expected to be from a synergy basis***.

* * *

We are attacking improved financial results, certainly from two directions: one, ***we expect to drive revenue up each quarter. You made the comment that now that you've got the salesforce straightened out – Jeff only joined the company in October*** . . . .

* * *

[Analyst:] [G]oing back to this Lenovo issue that I think is the big instrumental here . . . . I think what I'm struggling with today is, what's different, or what's changed?

Part of what I'm wondering is . . . is it simply that you're not tight enough in the discussions; it is sort of after the fact? Or did something actually change in terms of the integration? Or are there challenges that weren't anticipated? That's what I'm really trying to focus on, is – what's different from what you knew a few months ago on this integration?

* * *

[Berger:] While we are backing off on the 10% and 10% commitment in the fourth quarter, we do believe we will get that in 2 to 4 quarters beyond that, and show a continual improvement on both lines as we move in that direction.

But we're very encouraged. ***As I mentioned, the growth drivers of Lenovo; improved sales and channel execution***; and E-Rate, we think, just get better as time passes. It will just take a little longer than we thought. So our confidence in the business continues to be high.

65. As detailed herein, the above statements were each false and misleading because defendants knew or deliberately disregarded and failed to disclose the facts described in ¶9(a) –(c).

66. After the January 28, 2015 earnings call, the Company's stock price increased to a closing price of $3.04 per share on January 29, 2015 (from a close of $2.78 per share the day before), and thereafter traded at artificially inflated prices of over $3.04 per share, and as high as $3.60 per share on March 2, 2015, through April 9, 2015.

67. Then, on April 9, 2015, after the close of trading, the Company preannounced that it would miss its previously issued guidance, that trading of its shares had been halted, and that White was "no longer with the Company." Extreme Networks announced that it expected to report 3Q15 revenue of $118-$120 million (compared to prior guidance of $130-$140 million) and EPS of ($0.09)-($0.07) (compared to prior guidance of ($0.03)-$0.02).

68. Following the April 9, 2015 warning that the Company would miss its forecasts, the Company's stock price fell nearly 25%, from a close of $3.24 per share on April 9, 2015 (on 356,300 shares traded) to $2.50 per share on April 10, 2015, on 10.1 million shares traded.

69. On April 10, 2015, Wunderlich Securities issued an analyst report entitled "Ground Hog Day - Downgrading to Hold With March Quarter Warning." The article discussed the 3Q15 results and termination of Jeff White:

> Yesterday after regular trading, Extreme (EXTR) continued the pattern of missing expectations in alternating quarters with a F3Q15 warning of magnitude comparable to that of F1Q15, except that estimates have come down since then.
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> * * *
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> - **Chief revenue officer had a 6-month stint.** Along with the warning, management announced the departure last Monday of the sales leader who started in early October. Our understanding is that other recent sales department hires will stay on and that the CEO will run the department again until a replacement executive is found.
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> * * *
>
> The risk is that Lenovo, like the IBM (IBM – NR) business it acquired, simply goes with the path of least customer resistance when it comes to data center networks and

> that prospects for data center networking success degrade to a quixotic fantasy for Extreme. If Extreme could organize a true OEM deal with Lenovo, levering the company's operating system and other strengths but complete funded product development and Lenovo branding, then we might view data center switching efforts more positively.

70. Also on April 10, 2015, the Buckingham Research Group issued an analyst report entitled "Another Miss and Sales Leadership Departure Signal Ongoing Challenges." The article discussed the 3Q15 results and explained that the termination of Jeff White was a strong indication that Extreme Networks' problems were internal, and not just the result of foreign exchange and deferred spending difficulties:

> **Surprise departure of sales leader may be a sign of greater challenges internally**
>
> The company announced Jeff White had departed the company as of April 6, with no temporary or permanent replacement. Mr. White had only been on board since October 1, 2014, and ***we see the surprise announcement as an indicator of greater challenges at the company***. It is no surprise that the salesforce and go to market strategy were in need of improvement, and the appointment of Mr. White, given his years of experience at companies such as CSCO (NEUTRAL, Tgt. $28), ***was supposed to be an answer to the challenges. In fact management had even indicated that sales changes would drive some of the potential revenue improvement over the next several quarters***. There are few details explaining why there is a vacancy once again in the sales leadership position, but the bottom line is that a significant sales rebound is unlikely to occur until there is stability in the role, in our view.

POST CLASS PERIOD EVENTS

71. On April 21, 2015, Extreme Networks issued a press release announcing that, effective April 19, 2015, Berger had resigned and the Company was replacing him as President and CEO with Ed Meyercord, Chairman of the Board. No reason was given for Berger's resignation, but analysts such as the Buckingham Research Group saw the departure of the CEO only weeks after the termination of CRO White as a clear indication that the problems with the Company were greater than defendants had disclosed. *See* Buckingham Research Group, "Challenges May be Greater Than Anticipated as CEO Resigns," April 21, 2015.

72. On May 6, 2015, the Company held an earnings call to discuss its 3Q15 financial results. During the call, the Company's new CEO was forced to admit that a number of defendants'

statements concerning the Enterasys integration, Lenovo partnership, and other attempts to improve sales and lower costs, including by finally processing sales that had slipped into the next quarter, not offering discounts, and shipping via sea rather than air, were false. Despite these concessions, Meyercord hid behind the Company's promise that in 30 days it would release a new plan to address the myriad problems the public now knew were afflicting the Company:

> [Meyercord:] So I don't have much visibility into that. At this stage, ***I have zero visibility into Lenovo. So as far as where that is or how you're building that as a model, I'd be uncomfortable giving you a forecast for Lenovo.***
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> [Analyst:] Yes, [I've got a] follow-up on that one. I did notice the discussion of Eileen's role, and ***Lenovo was conspicuous in the absence***. So, is that a situation you're just going to wait for it to stabilize before you include it in the focus, along with the others that were mentioned there? And while I'm on, I'm interested to know if you could comment a little bit on the degree which you're able to capture the deals that slipped out the quarter, and give us some flavor for the contribution of wireless and data center.
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> * * *
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> [Meyercord:] Lenovo is on my list to go meet with them. There has been a lot of things happening at that company and that's something that's going to be happening in the near future. And I'll get a better feel for it how [we'd] be able to align our interests and work together to generate predictable business. But, I'm not in a position to comment on [sic] this time.
>
> As far as deals that slip[ped], I'd remind you on that is that deals slip every quarter. And unless we are willing to take up our guidance for deals that slipped, ***I'd encourage the team to stop talking about deals that slip***. We either make our numbers or we don't make our numbers. So, in this case, I don't think we made our [numbers], and I'm not in a position to comment on whether they'll slip and fall into this quarter or will there be deals in Q4 that slip and fall into Q1, which I suspect there will be. So, ***I think as a policy, I think we're going to stop talking about deals slipping.***
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> [Analsyt:] Previously, you [*i.e.* Berger] mentioned attempting to hit double-digit growth by the December quarter. I mean, is it safe to say at this point you're not targeting that anymore? And if that's the case, kind of what's a more realistic target now for the December quarter? Where do you see growth kind of by the end of the year?
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> [Meyercord:] Yes. I think we need to wait. The team is working on a plan . . . .
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> * * *

> I mean, look, if I go back to ***the Enterasys acquisition with Extreme, if you look at it on paper, you'd say that wasn't a very good deal. There's no doubt there were some execution issues***, and it was harder for the teams to put the companies together than anticipated.

LOSS CAUSATION/ECONOMIC LOSS

73. During the Class Period, as detailed herein, defendants made false and misleading statements by misrepresenting the Company's business and prospects and engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of Extreme Networks common stock and operated as a fraud or deceit on Class Period purchasers of Extreme Networks common stock. Later, when these defendants' prior misrepresentations and fraudulent conduct became apparent to the market, the price of Extreme Networks common stock fell precipitously, as the prior artificial inflation came out of the price over time. As a result of their purchases of Extreme Networks common stock during the Class Period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

CLASS ACTION ALLEGATIONS

74. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired Extreme Networks common stock during the Class Period (the "Class"). Excluded from the Class are defendants and their family members, directors and officers of Extreme Networks and their families and affiliates.

75. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Extreme Networks has more than 100 million shares of stock outstanding, owned by hundreds or thousands of persons.

76. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class that predominate over questions that may affect individual Class members include:

(a) Whether the 1934 Act was violated by defendants;

(b) Whether defendants omitted and/or misrepresented material facts;

(c) Whether defendants' statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(d) Whether defendants knew or recklessly disregarded that their statements were false and misleading;

(e) Whether the price of Extreme Networks common stock was artificially inflated; and

(f) The extent of damage sustained by Class members and the appropriate measure of damages.

77. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

78. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

79. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

NO SAFE HARBOR

80. Extreme Networks' verbal "Safe Harbor" warnings accompanying its oral forward-looking statements ("FLS") issued during the Class Period were ineffective to shield those statements from liability.

81. The defendants are also liable for any false or misleading FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was authorized and/or approved by an executive officer of Extreme Networks who knew that the FLS was false. None of the historic or present tense statements made by defendants were assumptions

underlying or relating to any plan, projection or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by defendants expressly related to or stated to be dependent on those historic or present tense statements when made.

APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD ON THE MARKET

82. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

(a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

(b) The omissions and misrepresentations were material;

(c) The Company's stock traded in an efficient market;

(d) The misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of the Company's stock; and

(e) Plaintiff and other members of the Class purchased Extreme Networks common stock between the time defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

83. At all relevant times, the market for Extreme Networks' common stock was efficient for the following reasons, among others:

(a) As a regulated issuer, Extreme Networks filed periodic public reports with the SEC; and

(b) Extreme Networks regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the major news wire services and through other wide-ranging public disclosures, such as communications with the financial press, securities analysts and other similar reporting services

ownership of Extreme Networks stock, the Individual Defendants had the power and authority to cause Extreme Networks to engage in the wrongful conduct complained of herein. Extreme Networks controlled the Individual Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for relief and judgment as follows:

A. Determining that this action is a proper class action, designating plaintiff as Lead Plaintiff and certifying plaintiff as a Class representative under Rule 23 of the Federal Rules of Civil Procedure and plaintiff's counsel as Lead Counsel;

B. Awarding plaintiff and the members of the Class damages and interest;

C. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Such other and further relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff hereby demands a trial by jury.

DATED: October 23, 2015

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